

Message Text

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ACTION PM-04

INFO OCT-01 EA-07 ISO-00 CIAE-00 INR-07 NSAE-00 IGA-02

TRSE-00 OMB-01 L-03 NSC-05 /030 W

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 7159

INFO SECDEF WASHDC

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

CINCPAC HONOLULU

C O N F I D E N T I A L KUALA LUMPUR 2882

NORORN

CINCPAC FOR POLAND AND J-R

SECDEF FOR OSD/ISA/DSAA

E.O. 11652: GDS

TAGS: MARR, MY

SUBJECT: FUTURE LEVELS OF FMS ASSISTANCE FOR MALAYSIA

REF: USDAO KUALA LUMPUR 270813Z APR 77

1. DURING HIS VISIT TO MALAYSIA ON APRIL 26, 1977, MR. JOHN EISENHOUR OF OMB QUESTIONED US ON THE \$20 MILLION FMS CREDIT FIGURE PROPOSED FOR MALAYSIA. AT THAT TIME, WE HAD ONLY BEEN INFORMED BY THE GOM OF A PROBABLE \$6.4 MILLION IN CREDITS FOR FY 9178, AND WE WERE NOT AWARE OF ANY IMPENDING REQUESTS FOR USE OF THE REMAINDER OF THE CREDIT OR OF ADDITIONAL CREDITS IN FY 79. WE THEREFORE AGREED WITH MR. EISENHOUR THAT LITTLE HARM WOULD COME IF THE PROPOSED FIGURE FOR MALAYSIA FOR FY 79 WERE REDUCED FROM \$20. MILLION OT \$5 OR \$10 MILLION, SINCE IT SHOULD NOT BE DIFFICULT TO INCREASE THE PROPOSED FIGURE BY AN
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EQUIVALENT AMOUNT SHOULD THE MALAYSIANS PUT FORWARD A VIABLE REQUEST FOR A LARGER AMOUNT OF CREDIT.

2. ALMOST IMMEDIATELY AFTER MR. EISENHOUR DEPARTED, HOWEVER, AIRATT WAS INFORMED BY AIR VICE MARSHALL MOHD BIN TAIB THAT THE ROYAL MALAYSIAN AIR FORCE HAD OBTAINED APPROVAL FROM THE DEPTUTY SECRETARY GENERAL OF DEFENSE FOR IMPLEMENTATION OF THREE NEW

PROJECTS: (1) PURCHASE OF 5 NOTRHROP F-5F TRAINING AIRCRAFT (AND THE SUBSEQUENT SALE OF THE TWO F-5B'S CURRENTLY IN USE). REASON FOR THE PURCHASE WOULD BE TO ENHANCE LOCAL TRAINING CAPABILITY WITH TWO-SEATER AIRCRAFT COMPATIBLE WITH F-5E'S, WHICH B MODEL IS NOT. (2) PURCHASE OF A NEW TRANSITIONAL TRAINER. ALTHOUGH A TEAM IS BEING ESTABLISHED TO STUDY VARIOUS TYPES, TAIB ASSURED AIRATT THAT ULTIMATE CHOICE LIKELY TO BE BEECH-CRAFT T-34C.

(3) NEW AIR DEFENSE RADAR FOR PENANG HILL. TAIB INDICATED THAT IF TREASURY APPROVED GOM WOULD BE REQUESTING FMS CREDIT FOR AIRCRAFT (RADAR WILL BE SUBJECT TO BID). TOTAL PACKAGE DESCRIBED BY HIM WILL COME TO US\$46 MILLION, OF WHICH AIRCRAFT WILL CONSTITUTE A MAJOR PORTION.

3. ACTION. ALTHOUGH IT MAY TAKE SLOW-MOVING TREASURY BUREAUCRACY SOME TIME TO APPROVE THESE PURCHASES, THEIR UTILITY IS MANIFEST AND THEY ARE LIKELY TO GET APPROVAL SOONER OR LATER. WE NOW BELIEVE, THEREFORE, THAT THE FY 79 PLANNING FIGURE SHOULD BE HELD AT \$20 MILLION. WE CAN FORMULATE OUR DEFINITIVE POSITION ON THE PURCHASES WHEN THE REQUESTS ARE ACTUALLY MADE, BUT OUR INITIAL REQCTION IS THAT WE OUGHT TO BE POSITIVE. DEPARTMENT IS REQUESTED TO INFORM OMB OF THIS CHANGE.

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